

**Office of
The City Attorney
City of San Diego**

**MEMORANDUM
MS 59**

(619) 236-6220

DATE: January 25, 2008

TO: The Honorable Mayor and City Council

FROM: City Attorney

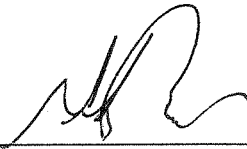
SUBJECT: Issues Regarding the City's Community Development Block Grant Program

Based on a review of correspondence between the US Department of Housing and Urban Development (HUD) and the City of San Diego from the past several years, as well as other City documents, the following is a list of some of the more serious issues regarding the City's operation of its Community Development Block Grant (CDBG) Program:

1. City's practice of loaning and re-loaning CDBG funds to the Redevelopment Agency and the lack of sufficient documentation regarding the source and use of program income and interest earned. HUD's Office of the Inspector General (OIG) Audit Division is currently conducting an audit of the CDBG program. Onsite review of the City's compliance is expected to last approximately two months. The result of this review will determine whether or not the OIG initiates a full four month onsite audit.
2. City's practice of funding Code Enforcement activities without a comprehensive plan designed to eliminate blighted conditions experienced by low and moderate income residents.
3. City's practice of funding two positions in Neighborhood Code Compliance (NCC) entirely out of CDBG funds, even though the persons occupying the positions work outside the scope of the CDBG program.
4. City's practice of using \$220,000 in CDBG funds to pay for a portion of the administrative costs of the Disability Services Program, even though the amount of administrative costs charged to CDBG was not proportionate to the percentage of time spent on CDBG funded projects.

5. City's practice of using CDBG funds to supplant other City costs, including:
 - a. The formation of Maintenance Assessment Districts and Business Improvement Districts
 - b. Street Lighting
 - c. Sidewalk Improvements
6. City's practice of reimbursing "soft costs" (overhead expenses) to nonprofit organizations that are not certified as Community Based Development Organizations.
7. City's practice of using CDBG funds to pay for infrastructure in a low-moderate income community without providing any "enhanced" benefit to the community.
8. City's practice of using CDBG funds to pay for City's administrative costs via an "administrative fee" deducted from each CDBG contract award.
9. City's practice of maintaining a large balance in its CDBG account (for example, 2.04 program years of funds) when the cap for such funds on reserve is 1.5 program years of funds.
10. City's practice of maintaining the lowest level of support to facilitate the existence of viable "city-wide" fair housing services or activities when compared to similarly funded grantees.
11. City's practice of limiting its CDBG economic development activities to providing technical and financial assistance to small business and to storefront improvement projects, but failing to create jobs directly from such use of CDBG funds.
12. City's failure to report consistent results between the Consolidated Annual Plan and Evaluation Report (CAPER) narratives (for accomplishments and expenditures) and the data contained in the Integrated Disbursement and Information System (IDIS).
13. City's failure to execute Memoranda of Understanding between City Planning & Community Investment (CPCI) and other City departments that carry out CDBG funded projects.

MICHAEL J. AGUIRRE, City Attorney

By 
Michael D. Neumeyer
Deputy City Attorney